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financial services

**Memorandum in Opposition**

**February 27, 2015**

**Committee Bill No. 461**

Dear Co-Chairs Osten and Miller and Members of the Committee,

On behalf of Propel Financial Services, I am writing to oppose Committee Bill No. 461, An Act Prohibiting the Assignment of Certain Municipal Liens. While the purpose of the bill is well-intended – to protect property owners from losing their homes to foreclosure for municipal liens of less than $2,500 – the practical effect of the legislation would be devastating to many property owners, taxpayers, city governments and the tax lien investing community. Those property owners are, when a municipal tax lien on their property is sold to a third party, able to negotiate a flexible payment plan at a longer term than the local government is typically able to offer. This helps property owners in a difficult situation keep their homes and avoid foreclosure. It also helps provide immediate revenues to city governments to fund public services.

By way of background, Propel is active in tax lien assignments in over 20 states, has purchased over 2,000 tax liens in Connecticut, and its employees have been operating in Connecticut since 2005. During this time, we have been able to provide resolution to property owners through long term, flexible payment plans. As is typical in the tax lien investing community, Propel's business model is geared towards *avoiding* foreclosure for the properties on which it holds a lien. As a result, the foreclosure rate on tax liens assigned to third parties like Propel is less than one-half of 1%.

A great number of tax liens currently sold by the cities are less than $2,500. This legislation would truly hamper the assignment of municipal tax liens in a way that would harm many stakeholders. Below is an overview of how tax lien assignments benefit property owners, taxpayers and cities.

- **The Assignment of Municipal Tax Liens Benefits Property Owners.** When a tax lien is assigned to a third party, typically the first step for the property own and tax lien assignee is to negotiate a payment plan to pay off the lien. This means that the property owners are able to work out flexible, long-term payment options so they can stay in their homes and avoid foreclosure. Propel often arranges for 5 year repayment plans, significantly more time than most cities offer for property owners to pay off their tax lien obligations. Importantly, the property owner maintains protections provided by law, including an unchanged redemption time period, statutory protections that continue after the lien assignment, and collection and notification procedures that are controlled by state statue.
- **Tax Lien Assignments Benefit Taxpayers.** Allowing tax lien assignments protects property values by leading to improvement of blighted properties. This is especially true

for lower-value properties with tax lien amounts under $2,500. Providing cities the cash flow upfront through tax lien assignments also decreases the risk of future tax increases and provides reliable funding for government programs.

- **City Governments Also Benefit**. Through tax lien assignments, city governments receive an immediate source of revenue for delinquent taxes. When selling portfolios of liens, the cities also typically charge a premium on top of the lien amounts – resulting in significant revenue for city governments. In addition, the certainty of cash flow improves future budgeting, and promotes increased revenues without having to raise taxes or increase public debt. The revenue from tax lien assignments goes to fund public services, such as the public school system, fire department and law enforcement.
- **Finally, Tax Lien Investors Benefit**. Investors who purchase tax liens earn interest and penalties provided by law for unpaid taxes. While the investment is secured by a lien on the real property, investors rarely foreclose on properties. Indeed, the foreclosure rate for tax lien assignments is under one-half of 1%.

Thank you for your attention on this important matter. We would welcome the opportunity work with the Committee to design an appropriate approach to address property owner protections. Through our experience with the assignment of tax liens in Connecticut and throughout the nation, we may be able to provide significant expertise and assistance to the Committee if you choose to move forward with this or similar property tax lien legislation. Please feel free to contact me directly at (858) 560-3577 for any further information.

Sincerely,

*Matthew Cosgrave*

Matthew Cosgrave
Vice President
Propel Finance Services